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Cost-accounting system for conference services

Report by the Secretary-General

1. In resolution 52/214 D of 22 December 1997, the General Assembly requested the Secretary-General to expedite the development of the cost-accounting system for conference services in 1998 and to extend it to other areas of the Secretariat, ensuring that it reflected the experience of other duty stations; encouraged the Secretary-General, to the extent possible, to utilize in-house resources to implement the system; and requested the Secretary-General to report to the Assembly by 31 July 1998, through the Committee on Conferences and the Advisory Committee on Administrative and Budgetary Questions, on measures taken to develop further the cost-accounting system. The present report is submitted in compliance with those requests.

2. Earlier consideration of the question had resulted in the submission to the Fifth Committee, during the main part of the fifty-second session of the General Assembly, of a conference room paper reviewing some of the concepts associated with cost accounting that had been used so far in connection with conference services, namely, workload standards, unit rates, full costs, notional costs, and apportioned cost estimates. That document also referred to questions that had not been considered in detail in the past, for example, the availability of data and the desirable treatment of the cost of managerial and supervisory staff. The conclusion reached was that different costing methods could be used for different purposes, that what was to be expected from a cost-accounting system needed to be clarified before deciding to proceed with such a system, and that the objective and scope of a system must be defined before proceeding with its design.

3. When the implementation of resolution 52/214 D was discussed within the Secretariat, it became apparent that an indispensable first step was to elucidate basic conceptual issues and, on this basis, then define the various purposes that different cost-accounting methods suitable for use in the context of the United Nations would achieve. It would also be necessary to determine whether some or all of those purposes could be met by means of incremental changes to the Integrated Management Information System (IMIS) and the information systems already existing in the area of conference services, particularly the Document Records, Information and Tracking System (DRITS).

4. This review of the work to be undertaken, and the lack of experience within the Organization in the field of cost accounting in general, led to the decision to resort to external consultants to undertake a study that would cover the issues outlined in the preceding paragraphs. A request for proposals was sent out to professional associations of accountants in several countries. However, by 1 May, the closing date for the submission of proposals, no replies had been received. The request for proposals was recirculated with a new closing date of 1 June. Four proposals were then received and a team of consultants was selected. They began working on the project on 6 July. The present document reviews the progress of work to date.

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5. The cost-accounting study being conducted is based on a review of the various conference services functions and the formal and informal information systems currently in place. The specific cost-accounting techniques that best fit the nature of the United Nations conference services is being considered, the theoretical strengths and weaknesses of each is being underlined, and recommendations will be provided.

6. The study aims at developing a system capable of breaking down the resources devoted to conference services in order to calculate costs of specific outputs (documents and meetings); establishing a sound basis to estimate the actual cost of services provided on a reimbursable basis; and at determining the costs or savings resulting from the addition or deletion of a certain volume of services after the conference services budget has been adopted.

7. Some conclusions have been drawn provisionally. As previously indicated, cost measurements cannot be made independently of the decision framework. Costs depend on the questions that need to be answered. Furthermore, in view of the unpredictable demand for conference services and of the fact that permanent capacity is lower than long-term demand, there is no simple, theoretically sound method of quantifying marginal costs, and in some cases, an average cost approach may be preferable.

8. Activity-based costing can offer an approach consistent with cost-accounting theory and suitable for use in the conference services area. Under such a system, overheads are linked to different parts of the production process in order to allow for a better understanding of the relevant costs. Costs of specific kinds of resources (e.g., translators' salaries) are allocated to activities based on usage (e.g., translation and précis writing) and the cost of activities is assigned to the outputs produced (e.g., documents and summary records), based on the amount of activities used by the respective outputs.

9. Such a cost-accounting system will be a valuable information tool for managerial and budgeting purposes, but it will not lead to savings in and of itself. In addition, if based on the level of data currently available, it may not bring a significant improvement over methods used in the past. The development of the system will require further resources, possibly including consultancy services, staff time, hardware acquisition and software development. In view of the prototyping approach that is being suggested and that is described below, it may be appropriate to conduct a cost-benefit analysis at the beginning of each successive iteration of the development of the system.

10. In order to move from the current level to a higher level of development, the difficulties resulting from the lack of interface between IMIS and the information systems available in the area of conference services will have to be overcome. It may be necessary to track time spent in various activities and to identify their relative levels of complexity. In general, existing systems, along with data gathered independently in certain organizational units, can be the initial focal points for building the database required to develop a cost-accounting system. In the long term, data refinements in terms of sources, types and methods of computation and validation will be necessary.

11. It will therefore be important to balance the cost of implementing an activity-based system with its potential benefits. In order to take account of these concerns, a prototype development approach will be recommended. It is an approach to systems design in which a simplified working model, or prototype, of an information system is developed. This scaled-down, experimental "first draft" is quickly and inexpensively built and provided to users for testing. Experimenting with the prototype allows users to determine what they like and do not like about the system. Based upon their reactions and feedback, the developers modify the system and again present it to the users. This iterative process of trial usage and modification continues until the users are satisfied that the system meets their needs.

12. In the case of conference services, it is foreseen that the prototype would be based on the use of off-the-shelf commercial software and a minimal personal computer hardware set. A development team which includes staff with database and costing skills and staff knowledgeable in conference services and United Nations budgeting and accounting procedures, as well as an oversight group that would advise the team and provide assistance as needed, would be required.

13. The consultants will complete their work in early August. A final report by the Secretary-General will then be issued for consideration by the Committee on Conferences at its substantive session of 1998 in September, as well as by the Advisory Committee on Administrative and Budgetary Questions and the General Assembly.